KNOWLEDGE-RELATED SUCCESS FACTORS ON THE PATH FROM UNEMPLOYMENT TO ENTREPRENEURSHIP (SUMMARY)

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SUMMARY

KNOWLEDGE-RELATED SUCCESS FACTORS ON THE PATH FROM UNEMPLOYMENT TO ENTREPRENEURSHIP

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Principal Topic

Many individuals find themselves in the unenviable position of being unemployed. The desire among the unemployed to found a business is strong, due both to the “pull” of perceived opportunities and to the “push” from a lack of rewarding employment opportunities. Despite growing interest in this phenomenon amongst scholars and policy makers, little is known about the ability of unemployed individuals to transition successfully into entrepreneurship. We address an important, but unanswered, question in this context: How does knowledge obtained through various sources influence the successful transition from unemployment to self-employment?

Method

Our data set derives from a sample of the 2001 cohort of founders in the Munich (Germany) region who received governmental assistance during their transition from unemployment to self-employment (n=451).

Our model examines the impact of five important types of knowledge on entrepreneurial success: (1) prior knowledge of the industry or product category, (2) knowledge generated through business planning activities, (3) knowledge generated in the course of running the business (evidenced by product line adaptation), (4) knowledge gained from a variety of business-related networks, and (5) knowledge and assistance gained from personal (friends and family) networks.

Results and Implications

In general, our findings indicate that knowledge-related factors play an important role in the successful transition from unemployment to entrepreneurship. Even more importantly, they allow highly differentiated insights on the role of knowledge in firm creation. We find that (1) prior knowledge of industry/product and (3) the adaptation of product line following market entry increases the likelihood of success. (2) Business planning and (4) assistance from banks in business planning only increases the likelihood of success when individuals have prior knowledge of the industry/product. However, (4) reliance on consultants and (4) assistance from potential clients in business planning decreases the likelihood of success. No impact on success was found with (4) assistance from trade associations and (5) assistance from personal networks.

Our findings enhance theoretical understanding of the role of knowledge in setting the stage for successful entrepreneurial activity, and should also be of interest to agencies interested in small business development and to potential entrepreneurs.

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